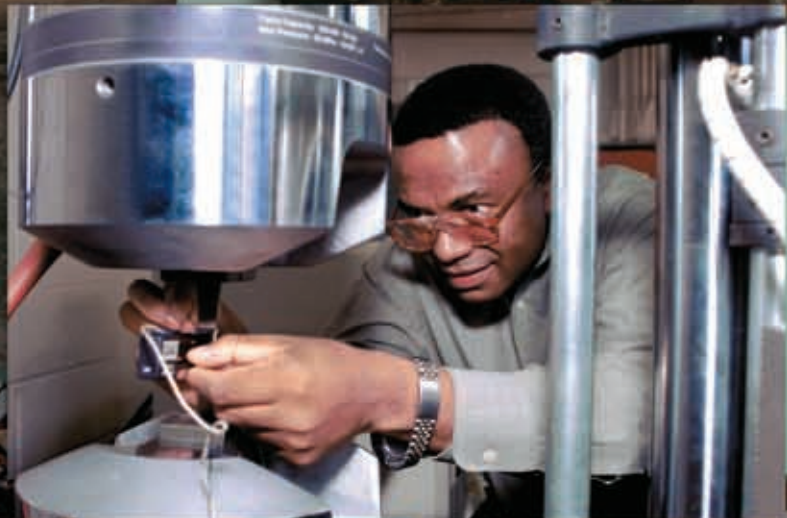


Louisiana Education Quality Trust Fund



John Kennedy
State Treasurer

Annual Report
June 30, 2001

Message From State Treasurer John Kennedy



It's my pleasure to present to you the 2001 Annual Report for the Louisiana Education Quality Trust Fund (LEQTF). The Legislature and voters established the LEQTF in 1986 to perpetually enhance education for all children in Louisiana.

The balance in the Fund, as of June 30, 2001, was \$908.6 million, which is \$367.9 million more than when it began. We at the Department of the Treasury carefully invest these monies to generate income for Louisiana's schools. Over the life of the Fund, the LEQTF has provided \$791.1 million in investment earnings to the Board of Regents and the Board of Elementary and Secondary Education. This year's allocation was \$66.2 million and, as you will see in this report, the money has funded a number of remarkable teaching projects and research efforts.

The success of the LEQTF is due to the prudent investment of the Treasury, the advice of the LEQTF Advisory Committee and the hard work of the educational community.

If you have any questions or comments about the LEQTF, please contact my office at (225) 342-0010. I also invite you to visit the Treasury's Web site at www.treasury.state.la.us to obtain more information or to send us an email.

With Kind Regards,

A handwritten signature in black ink that reads "John Kennedy". The signature is fluid and cursive, with a long horizontal line extending from the end.

John Kennedy
State Treasurer

Louisiana Education Quality Trust Fund

ANNUAL REPORT

Table of Contents

Message From State Treasurer John Kennedy	ifc
History of the Louisiana Education Quality Trust Fund	2
Goals and Objectives	2
Annual and Cumulative Allocations	3
Investment Results and Additional Income.....	4
Income and Distribution	4
Investments Performance Comparison	5
Selected Portfolio Data	6
Asset Allocation	6
Portfolio as of June 30, 2001	6
Why Use Equity Investments?	8
Board of Elementary and Secondary Education	9
Overview	9
Elementary/Secondary Competitive Grants	9
Elementary/Secondary Block Grants	9
Preschool/Early Childhood Block Grants	10
Statewide Programs	10
Instructional Enhancement Through The Arts Program.....	11
Board of Regents	12
Regents Support Fund Grants Total over \$45 Million	12
Louisiana Education Quality Support Fund Projects	14
Market Value and Cumulative Allocations at June 30, 2001	ibc

History of the Louisiana Education Quality Trust Fund

In 1978, the United States Congress amended the Outer Continental Shelf Lands Act to require the federal government to share offshore oil and gas revenues with all coastal states including Louisiana. The offshore area is still referred to as the “8(g) zone,” named after the paragraph in the law that provides for the revenue sharing. Between 1978 and 1986, revenues earned in this area were placed in escrow, waiting for a formal agreement and a formula to divide the earnings.

In April 1986, Louisiana Senator J. Bennett Johnston chaired the Senate Energy and Interior Committee, which had jurisdiction over mineral extractions from federal lands. Congress determined the coastal states would receive a portion of the funds held in escrow along with monthly earnings on the mineral leases. Louisiana’s first payment was \$640.7 million, of which \$540.7 million was placed into the Louisiana Education Quality Trust Fund (LEQTF).

In addition, the settlement with the federal government included annual payments through fiscal year 2000-2001. From fiscal years 1987 to 1991, Louisiana received \$2.5 million annually. Beginning in fiscal year 1992, those yearly payments increased to \$5.9 million. Starting in fiscal year 1997 until the final payment in fiscal year 2000-2001, the state is scheduled to receive \$8.4 million each year.

The first interest earnings from the LEQTF were available for use in 1987. The most significant change to the Fund was the 1994 constitutional amendment allowing the Treasurer to invest up to

35 percent of the Permanent Fund’s assets in equities (publicly-traded stocks).

A statewide coalition including the Fund’s beneficiaries – the Board of Elementary and Secondary Education (BESE) and the Board of Regents (Regents) – and organizations like the Select Council on Revenues and Expenditures in Louisiana’s Future, Council for a Better Louisiana, Louisiana Association of Educators, Louisiana Federation of Teachers, Chambers of Commerce, as well as the Louisiana Department of the Treasury and civic leaders across the state worked to pass the amendment.

In October 1995, the Treasury began implementing the equity investment plan by placing assets in an index fund. Currently, the equity investment is approximately 21.8 percent of the total portfolio. In October 1996, LEQTF contracted with an outside investment consulting firm, Summit Strategies Group, to advise on investment strategy, assist in the interviewing and hiring of money managers and to provide performance measurement reports. During fiscal year 1997-1998, with the assistance of Summit Strategies Group, LEQTF began a program of active equity asset management by contracting with small cap managers to further diversify the equity portfolio.

Legislation passed in 1994 permits fund expenses to be appropriated from the Support Fund. From fiscal year ending 1995 through 2001, appropriated expenses have totaled \$1.7 million. Expenses include consultant fees, investment manager fees and custodial fees.

Goals and Objectives

The LEQTF is a resource for today and tomorrow, and that ideal guides the Treasury in the investment of the LEQTF. Efforts are aimed at maximizing the benefits taxpayers will see from the Fund for years to come.

In its carefully designed investment policies and forward-looking philosophy for the LEQTF, the Treasury is guided by three goals:

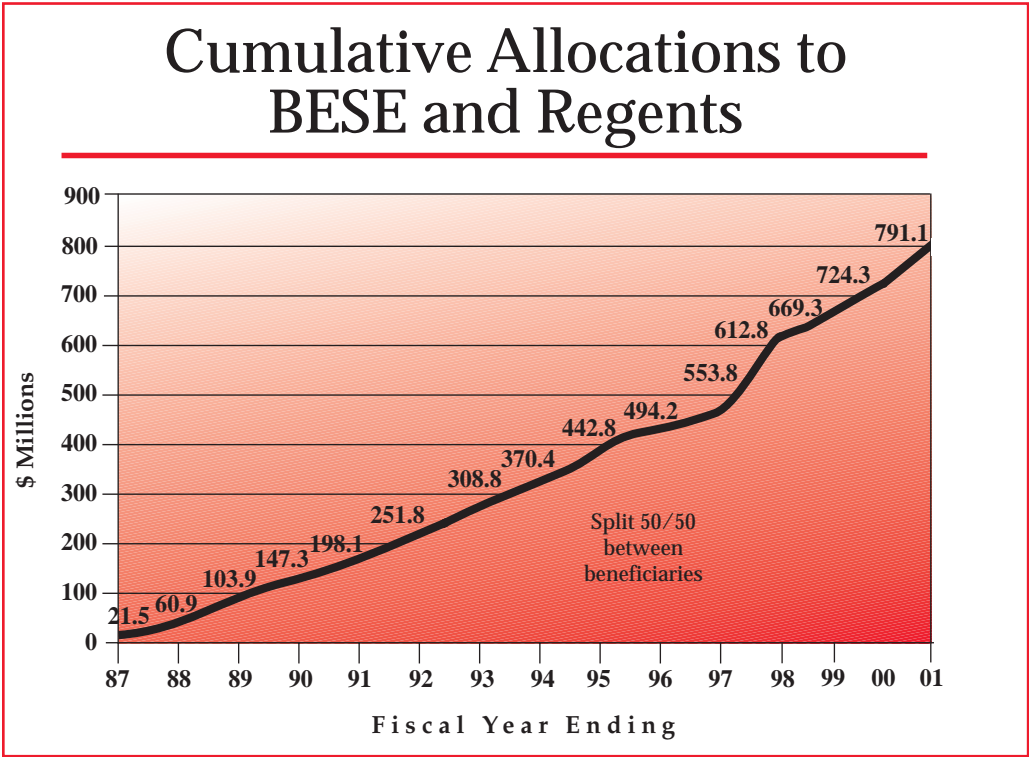
- Preserve the Fund’s capital
- Enhance the market value of the Fund
- Provide stable and predictable income

Moving forward, the Treasury will continue its commitment to the three guiding goals, while implementing a more active management of the Fund to increase the growth of the Fund’s future earnings. The increased earnings could be utilized to provide more classroom computers, more endowed professorships and more scientific research, each improving the quality of life for our children.

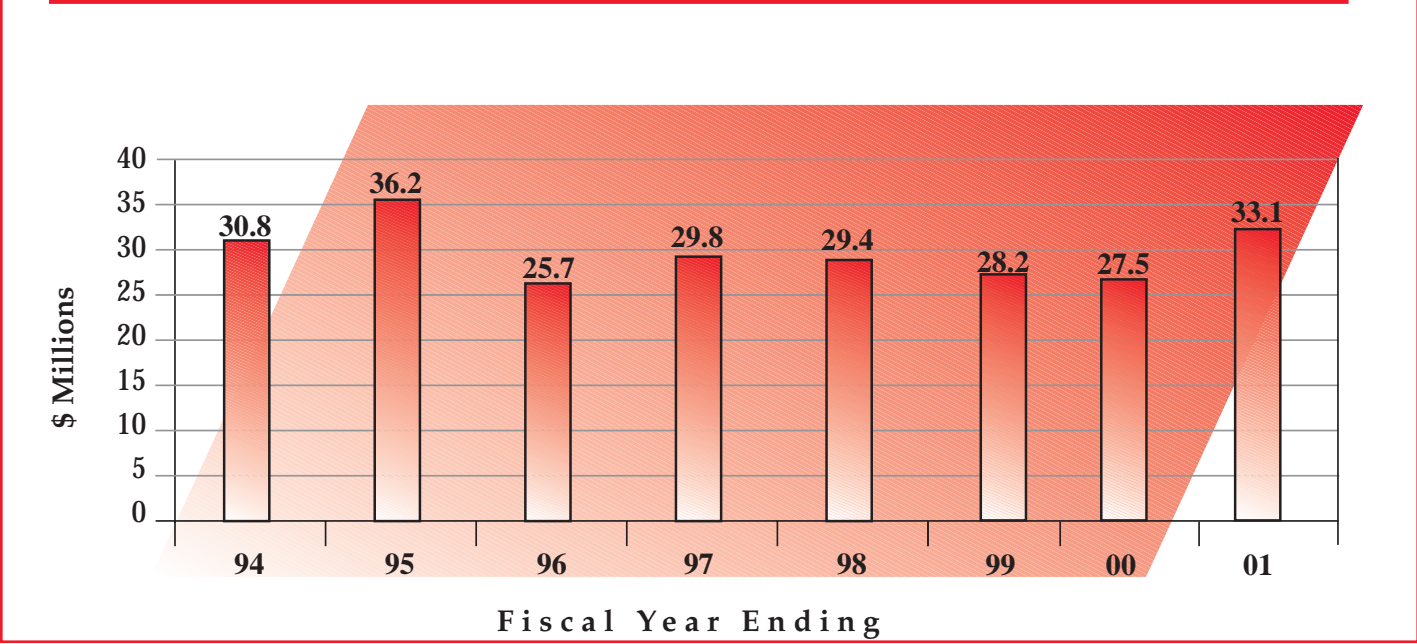
Annual and Cumulative Allocations

The LEQTF allocated \$33.1 million each to BESE and Regents for the fiscal year ended June 30, 2001. During the 1994-1995 fiscal year, the Fund's beneficiaries each received a one-time \$13.5 million bonus based on an Attorney General's opinion regarding the allocation of annual settlement payments due to the Fund by the federal government.

Over the life of the LEQTF, the Fund has allocated a total of \$791.1 million in investment earnings to BESE and Regents. The Fund has provided a stable source of funding for a variety of educational enhancements and opportunities for hundreds of thousands of students in Louisiana at every level of education.



Annual Allocations to BESE and Regents



Investment Results and Additional Income

For the fiscal year ended June 30, 2001, the LEQTF earned \$54.4 million in investment income, which includes interest income, dividend income and securities lending income.

Royalty income generated from “8(g)” offshore tracts totaled \$27.8 million. This portion of the Fund’s income is a direct function of natural gas prices and tends to fluctuate as production and natural gas prices rise and fall.

Royalty income from the annual settlement with the federal government totaled \$8.4 million. The fiscal year ending June 30, 2001 is the final year deferred settlement payments will be made to the Fund.

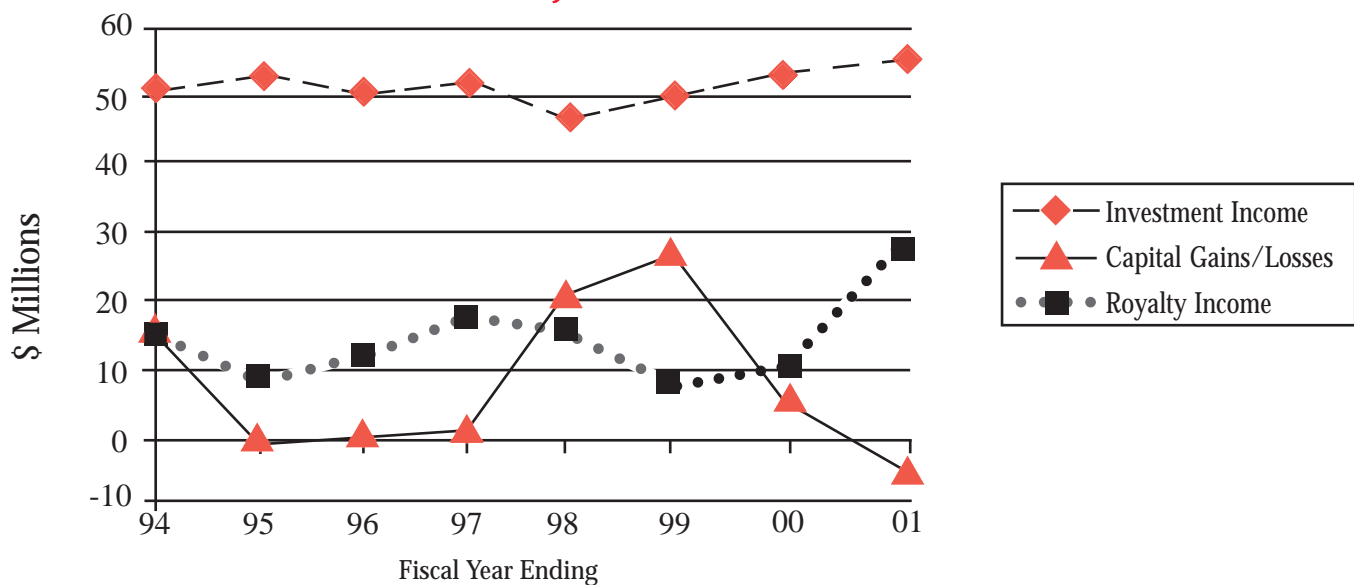
In accordance with state law, 75 percent of investment income (including securities lending proceeds) and royalty income is deposited in the Support Fund to be shared by BESE and Regents. That means \$40.8 million in investment income and \$27.1 million in royalty income were transferred to the Support Fund

for educational projects. The remaining balance was reinvested in the Permanent Fund.

The Fund realized \$4.8 million in capital losses during the year from the sale of assets. Of those capital losses, \$3.5 million (75 percent) was incurred by the Permanent Fund and \$1.3 million (25 percent) was incurred by the Support Fund.

The investment income of the LEQTF, primarily earned from coupon interest, was \$52.7 million. Dividend income earned from equity investments was \$1.6 million. The LEQTF participates in a securities lending program where it loans securities to major Wall Street brokerage firms. These securities are collateralized with cash and/or U.S. securities at a margin of 102 percent, providing an additional source of income for the Fund. For fiscal year 2000-2001, LEQTF earned \$85,021.64 in additional revenues through its securities lending agreement.

LEQTF Major Sources of Income



Income and Distribution

The sources of LEQTF income are:

- **INTEREST INCOME** - The LEQTF holds a variety of fixed-income investments, including U.S. Treasury and U.S. Agency securities and investment-grade corporate bonds. Each of these investments return interest to the LEQTF, like the interest an individual earns on a certificate of deposit.

- **DIVIDEND INCOME** - The LEQTF invests in the stocks of publicly traded companies. These companies sometimes distribute their earnings to shareholders in the form of dividends. The dividend is paid in a fixed amount for each share of stock held.

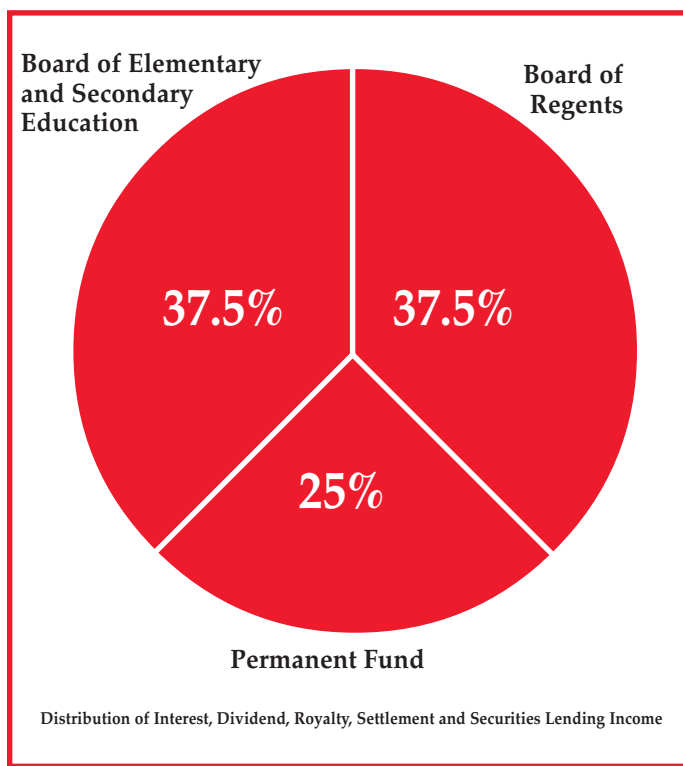
- **ROYALTY INCOME** - The LEQTF continues to benefit from natural gas and other production from lands on the Outer Continental Shelf in the Gulf of Mexico.

- **SETTLEMENT INCOME** - According to the state's settlement with the federal government, the LEQTF will continue receiving annual payments until the year 2001.

- **SECURITIES LENDING** - The LEQTF securities holdings are sometimes temporarily loaned to major Wall Street brokerage firms in return for a fee. These loans are collateralized with cash and/or U.S. securities at a margin of 102 percent, providing a small source of additional income.

The Support Fund receives 75 percent of all interest, dividend, royalty, settlement and securities lending income, as well as 25 percent of all capital gain/loss income.

Twenty-five percent of all interest, dividend, royalty, settlement and securities lending income is reinvested in the Permanent Fund, along with 75 percent of all capital gain income. When the Permanent Fund reaches \$2 billion, all investment income will be credited to the Support Fund and recurring royalty income will revert to the state's General Fund.



Investments Performance Comparison

The LEQTF earned a total return of 4.1 percent for the fiscal year. Total return is a time-weighted measure of actual income received during the year, plus accrued income and any change in the price of portfolio securities and cash at the end of each period.

The LEQTF's internally managed bond portfolio returned 11.7 percent for the fiscal year. This outperformed the return of the Lehman Brothers Government/Corporate Bond Index, which was 11.1 percent. The LEQTF indexed and actively managed equity portfolios returned -18.9 percent for the fiscal year. Large cap, mid cap and small cap stocks all had negative returns. The S&P 500 returned -14.8 percent for the year, and the rest of the market as measured

by the Wilshire 4500 finished down at -19.4 percent.

The LEQTF legislative benchmarks are the 30-day Treasury Bill and the two-year Treasury Note. The 30-day Treasury Bill returned 5.1 percent and the two-year Treasury Note returned 8.5 percent.

Act 802 of the 1990 Regular Session of the Legislature requires that investment earnings of the LEQTF be measured against the two-year U.S. Treasury Note and the 30-day U.S. Treasury Bill. Actual average maturity of the portfolio may vary with market conditions. All performance numbers are expressed in total return as measured at the end of each period. Total performance returns are calculated on a time-weighted basis by an independent consultant.

LEQTF vs BENCHMARKS – FY 2000-2001

Portfolio/ Benchmark	30-Day T Bill	2-Year T Note	LB Govt./Corp. Bond Index	LEQTF Fixed Income	LEQTF Equities	LEQTF Total
% Return	5.1%	8.5%	11.1%	11.7%	-18.9%	4.1%

Selected Portfolio Data

	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
Market Value of the LEQTF Portfolio					
Includes Support Fund	\$831,681,354	\$891,024,003	\$894,719,125	\$898,412,938	\$908,556,669
Market Value of the Permanent Fund	\$760,192,407	\$817,056,699	\$817,998,819	\$823,520,329	\$831,338,021
Unrealized Gains & (Losses)	\$25,413,616	\$38,179,188	\$8,214,378	(\$8,869,106)	\$20,246,874
Average Maturity	5.62 Years	4.8 Years	13.0 Years	17.8 Years	16.4 Years
Average Coupon	6.7%	6.6%	7.3%	7.4%	7.5%
Total Annual Rate of Return*	10.5%	11.4%	4.8%	5.0%	4.1%
30-Day Treasury Bill	5.0%	4.9%	4.3%	4.6%	5.1%
2-Year Treasury Note	6.6%	6.6%	4.3%	4.1%	8.5%

Asset Allocation

	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01
Short-Term Funds	1.6%	1.3%	1.4%	1.5%	10.3%
U.S. Treasury and Agency Securities	56.8%	48.9%	13.3%	9.4%	4.5%
Mortgage-Back Securities	28.5%	25.0%	19.2%	20.4%	16.8%
U.S. Equities	13.1%	20.6%	21.6%	24.1%	21.8%
U.S. Corporate Bonds		4.2%	44.5%	44.6%	46.6%

*Returns are unaudited and calculated on a time-weighted basis by an independent consulting firm.

Portfolio as of June 30, 2001

FIXED-INCOME INVESTMENTS

0-1 YEARS

PAR VALUE	DESCRIPTION	COUPON	MATURITY DATE	MARKET PRICE	MARKET VALUE	ACCRUED INCOME
\$ 31,213.84	TRUST M/M DEP FD	5.663%	07/01/2001	1.000	\$31,213.84	26,845.42
90,400,000.00	LEHMAN BROS	3.900%	07/06/2001	1.000	90,400,000.00	19,586.66

2-5 YEARS

10,000,000.00	PULTE CORP	7.300%	10/24/2005	98.400	9,840,000.00	133,833.33
20,000,000.00	IMC GLOBAL	7.625%	11/01/2005	85.980	17,196,000.00	249,930.56
10,000,000.00	AETNA	7.375%	3/01/2006	98.850	9,885,000.00	243,784.71

5-7 YEARS

131,084.06	GNMA POOL 336426	7.500%	12/15/2007	104.270	136,681.35	819.27
------------	------------------	--------	------------	---------	------------	--------

7-10 YEARS

152,602.61	GNMA POOL 358194	7.500%	07/15/2008	104.283	159,138.58	953.76
109,598.34	GNMA POOL 156064	7.500%	10/15/2008	104.283	114,292.44	684.98
202,235.76	GNMA POOL 376483	7.500%	04/15/2009	104.255	210,840.89	1,263.97
1,235,037.87	GNMA POOL 362256	7.500%	04/15/2009	104.255	1,287,588.73	7,718.98
418,765.31	GNMA POOL 392027	7.500%	04/15/2009	104.255	436,583.77	2,617.28
185,840.26	GNMA POOL 392089	7.500%	04/15/2009	104.255	193,747.76	1,161.50
335,346.68	GNMA POOL 400276	7.500%	05/15/2009	104.255	349,615.68	2,095.91
20,000,000.00	FHLB	7.010%	08/03/2009	103.281	20,656,300.00	572,483.33
14,000,000.00	DAIMLER CHRYSLER	7.750%	01/18/2011	103.070	14,429,800.00	494,277.78
10,000,000.00	FORD MOTOR CREDIT	7.375%	02/01/2011	101.130	10,113,000.00	305,243.06

10 YEARS +

20,000,000.00	FHLMC	6.525%	12/9/2013	97.219	19,443,800.00	76,125.00
142,008.02	GNMA POOL 316129	8.000%	4/15/2022	104.901	148,967.83	946.72
20,000,000.00	PARAMOUNT COMM	8.250%	8/1/2022	103.620	20,724,000.00	682,916.67
10,000,000.00	WISCONSIN ELECTRIC	7.750%	1/15/2023	98.150	9,815,000.00	355,208.33
10,000,000.00	HOUSTON LTG & POWER	7.750%	3/15/2023	98.050	9,805,000.00	226,041.67
20,000,000.00	GTE CORP	7.830%	5/1/2023	98.800	19,760,000.00	256,650.00
15,000,000.00	U S WEST	7.500%	6/15/2023	94.780	14,217,000.00	46,875.00
20,000,000.00	HOUSTON LTG & POWER	7.500%	7/1/2023	95.960	19,192,000.00	745,833.33

2,106,450.07	GNMA POOL 358745	8.000%	9/15/2023	104.839	2,208,381.19	14,043.00
10,253,516.10	GNMA POOL 352026	7.500%	11/15/2023	103.321	10,594,035.37	64,084.47
10,000,000.00	NEW YORK TELEPHONE	7.250%	2/15/2024	95.310	9,531,000.00	271,875.00
2,493,055.62	GNMA POOL 386200	8.000%	5/15/2024	104.782	2,612,273.54	16,620.37
1,104,462.73	GNMA POOL 389530	8.000%	5/15/2024	104.782	1,157,278.14	7,363.08
1,155,918.27	FNMA POOL 237188	8.000%	6/1/2024	104.742	1,210,731.91	7,706.13
500,586.95	FNMA POOL 237193	8.000%	6/1/2024	104.742	524,324.78	3,337.25
5,933,412.78	FNMA POOL 250060	7.500%	6/1/2024	102.915	6,106,371.76	37,083.83
5,835,709.30	GNMA POOL 354834	8.500%	6/15/2024	105.948	6,182,817.29	41,336.27
2,889,000.94	GNMA POOL 366810	8.000%	6/15/2024	104.782	3,027,152.96	19,260.00
11,000,000.00	WEYERHAEUSER	7.950%	3/15/2025	100.720	11,079,200.00	255,062.50
2,945,816.93	GNMA POOL 414722	7.500%	10/15/2025	103.008	3,034,427.10	18,411.35
1,735,938.60	GNMA POOL 417704	7.500%	10/15/2025	99.615	1,788,155.63	10,849.61
881,031.65	GNMA POOL 416364	7.500%	11/15/2025	103.008	907,533.08	5,506.44
5,183,488.01	GNMA POOL 416774	7.500%	11/15/2025	103.008	5,339,407.33	32,396.79
316,517.46	GNMA POOL 417655	7.500%	12/15/2025	103.008	326,038.31	1,978.23
3,735,900.18	GNMA POOL 418356	7.500%	12/15/2025	103.008	3,848,276.06	23,349.37
5,901,649.72	GNMA POOL 414840	7.500%	12/15/2025	103.008	6,079,171.34	36,885.31
1,099,538.34	GNMA POOL 412530	7.500%	12/15/2025	103.008	1,132,612.45	6,872.11
326,252.32	GNMA POOL 374227	7.500%	12/15/2025	103.008	336,065.99	2,039.07
7,414,713.00	GNMA POOL 417226	7.000%	1/15/2026	101.395	7,518,148.25	43,252.49
10,167,931.44	GNMA POOL 417239	7.000%	2/15/2026	101.395	10,309,774.08	59,312.93
5,653,107.77	GNMA POOL 417290	7.000%	3/15/2026	101.395	5,731,968.62	32,976.46
7,272,291.95	GNMA POOL 421814	7.000%	4/15/2026	101.395	7,373,740.42	42,421.70
10,000,000.00	CARGILL IND	7.500%	9/1/2026	99.640	9,964,000.00	247,916.67
25,000,000.00	BANKERS TRUST	8.090%	12/1/2026	101.670	25,417,500.00	162,923.61
15,000,000.00	BANKBOSTON	7.750%	12/15/2026	99.060	14,859,000.00	48,437.50
20,000,000.00	NATIONS BANK	7.830%	12/15/2026	97.040	19,408,000.00	65,250.00
11,000,000.00	CORESTATES CAPITAL	8.000%	12/15/2026	98.020	10,782,200.00	36,666.67
21,000,000.00	CHRYSLER CORP	7.450%	3/1/2027	94.260	19,794,600.00	517,154.17
15,000,000.00	WESTVACO CORP	7.500%	6/15/2027	94.518	14,177,752.50	46,875.00
10,000,000.00	TORO CO	7.800%	6/15/2027	82.430	8,243,000.00	32,500.00
15,000,000.00	HARCOURT GENERAL	7.200%	8/1/2027	88.580	13,287,000.00	447,000.00
15,000,000.00	BRUNSWICK CORP	7.125%	8/1/2027	83.580	12,537,000.00	442,343.75
11,404,252.09	GNMA POOL 02483	7.000%	9/20/2027	100.898	11,506,662.27	66,524.80
25,000,000.00	SEARS ROEBUCK	7.500%	10/15/2027	97.100	24,275,000.00	390,625.00
15,000,000.00	TE PRODUCTS	7.510%	1/15/2028	93.330	13,999,500.00	516,312.50
20,000,000.00	CUMMINS ENGINE	7.125%	3/1/2028	76.810	15,362,000.00	471,041.67
10,000,000.00	UNOCALCORP	7.000%	5/1/2028	95.990	9,599,000.00	114,722.22
10,000,000.00	CON EDISON	7.125%	2/15/2029	90.110	9,011,000.00	267,187.50
17,923,174.61	GNMA POOL 2702	7.000%	1/20/2029	100.746	18,056,881.49	104,551.85
8,494,908.09	GNMA POOL 491599	7.500%	11/15/2029	102.691	8,723,506.07	53,093.17
7,628,641.76	GNMA POOL 520541	7.500%	2/15/2030	102.623	7,828,741.03	47,679.01
7,492,334.60	GNMA POOL 2883	7.500%	2/20/2030	102.253	7,661,136.90	46,827.09
6,867,048.56	GNMA POOL 494827	8.000%	3/15/2030	103.680	7,119,755.95	45,780.32
25,000,000.00	BELLSOUTH	7.500%	6/15/2033	98.010	24,502,500.00	78,125.00
TOTAL FIXED-INCOME PORTFOLIO					702,620,192.68	9,757,458.48
LEQTF EQUITY INVESTMENTS						
796,707.23	VANGUARD S&P	N/A	N/A	111.96	91,455,090.17	
2,100,825.68	VANG EXTD MKT	N/A	N/A	24.71	53,989,619.53	
4,758,095.40	FLEMING CAPITAL MGMT		N/A	N/A	50,719,419.10	14,888.69
TOTAL EQUITY INVESTMENTS					196,164,128.80	14,888.69
TOTAL PORTFOLIO					898,784,321.48	9,772,347.17

Why Use Equity Investments?

The Treasury invests a portion of LEQTF assets in equity securities primarily to provide capital appreciation of the Permanent Fund over time. As shown below in “History Shows Equities Perform,” equities have historically had a higher rate of return than fixed-income securities, making them a good tool to help grow the market value of the Permanent Fund and maintain purchasing power.

The Treasury uses a diversified approach to investment in equity securities in order to help reduce LEQTF investment risk. Equity investments include large, mid and small capitalization stocks and both actively and passively managed portfolios. The large capitalization stocks are invested in the Vanguard Institutional Index Fund, which fully replicates the S&P 500 Stock Index. The small to mid capitalization stocks are invested by J.P. Morgan Fleming Asset Management and in the Vanguard Extended Market

Fund, which together cover both growth and value style stocks.

At the end of fiscal year 2000-2001, the LEQTF had 21.8 percent of its assets invested in equities with a total market value of \$196.1 million. For the fiscal year, equity investments as a whole returned -18.9 percent. The S&P 500 returned -14.8 percent for the year, and the rest of the market as measured by the Wilshire 4500 finished down at -19.4 percent. This translates into a -\$40.2 million return on investment being comprised of \$1.6 million from dividend income, \$6.9 million from realized capital gains and -\$48.7 million from unrealized capital depreciation. Since the end of September 1995 (when LEQTF began investing in equities) these equity investments generated a \$71.2 million return on investment with \$23.2 million from dividend income and realized capital gains and \$48.0 million from capital appreciation.

History Shows Equities Perform Annualized Rates of Return

	1951-2001	1991-2001	1996-2001
Equities			
S&P 500	12.5%	15.1%	14.5%
Small Cap Stocks*	13.0%	15.7%	10.7%
Fixed Income			
Long Term U.S. Gov't	6.1%	10.0%	8.9%
Lehman Bros. Intermediate G/C	n/a	7.3%	7.0%
One-Month T-Bill	5.3%	4.7%	5.2%
CPI	4.0%	2.8%	2.6%

*CRSP/DFA Deciles 9-10

Board of Elementary and Secondary Education

Overview

In 1986 Louisiana voters approved a constitutional amendment dedicating the Outer Continental Shelf Lands Act money to improve the quality of education, thus establishing the LEQTF. From this Permanent Fund, a separate Louisiana Quality Education Support Fund (Support Fund) was created to receive and hold 75 percent of the earnings from the trust. As constitutionally mandated, 50 percent of the Support Fund, more commonly referred to as “8(g),” is legislatively appropriated and allocated by BESE. The “8(g)” funds administered by BESE are utilized for the support and enhancement of elementary and secondary education in all 66 school districts and approved independent schools.

BESE awards grants on an annual basis using three funding methods: competitive, block and statewide grants. It focuses its endowments on improving classroom teaching and learning.

Through innovative programming, BESE strives to:

- establish expectations of academic excellence;
- require accountability of performance;
- provide superior instruction and state-of-the-art technology; and
- ensure educational leadership and management.

Project proposals are written according to published guidelines and funded through a review process. Funded projects from public and approved non-public schools and special state schools are evaluated for program effectiveness. Student performance results are reported by each local project and are confirmed through site visits by evaluators.

Elementary/Secondary Competitive Grants

Competitive projects identify exemplary and innovative programs designed to improve elementary and secondary student achievement and vocational-technical skill. The allocation of “8(g)” funds is equitably distributed according to categories determined by agency size. Projects are funded on an annual basis with a maximum of three years of funding.

During the 2000-2001 fiscal year, BESE allocated \$3.5 million for competitive projects. A total of 53 projects were funded out of 279 submitted proposals.

Elementary/Secondary Competitive Grants	
Focus Area	No. of Proposals Funded
Alternative Programs	7
PreK - 6 Reading	8
K - 6 Math	6
Technology	27
Creative Strategies/ Alternatives for Students Unable to Pass LEAP Exams	3
Middle School/ High School Redesign	2
Totals	53

Elementary/Secondary Block Grants

The Elementary/Secondary Block Grant Program provides funds for projects that serve as catalysts for student academic and vocational skill improvement. Eligible projects are limited to public and approved non-public schools as well as special state schools. Funds are allocated based on agency and school enrollment.



photo courtesy of Tangipahoa Parish School Board

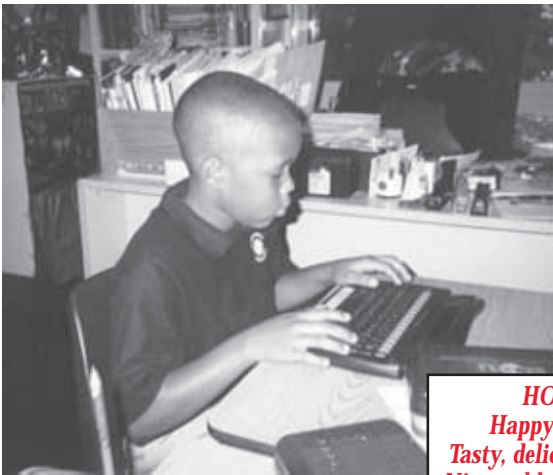


photo courtesy of St. Paul's Episcopal, Orleans Parish

HOME
Happy sights,
Tasty, delicious pizza,
Nice and happy family,
Fun!

Haiku by a student at Boley Elementary School, Ouachita Parish schools. Boley Elementary, Riser Elementary and Riverbend Elementary participated in a 2000-2001 Elementary Block Grant entitled "Computer Assisted Instruction in Language Arts."

Projects address specific standards through the implementation of prescribed, innovative strategies, and measurable objectives are utilized to evaluate their outcomes.

In 2000-2001, BESE awarded \$7 million for 145 Elementary/Secondary Block Grants at a rate of \$8.06 per student.

Elementary/Secondary Block Grants	
Focus Area	No. of Projects Funded
Alternative Programs	13
PreK - 6 Reading	12
K - 6 Math	8
Technology	51
Creative Strategies/ Alternatives for Students Unable to Pass LEAP Exams	32
Middle School/ High School Redesign	2
Preschool/Early Childhood	28
TOTAL	146

Preschool/Early Childhood Block Grants

Preschool/Early Childhood Programs are based on developmentally appropriate practices in early childhood development. Funded projects are designed to implement early childhood and parent education activities to improve the readiness of preschool children for kindergarten. Emphasis is

placed on providing opportunities for at-risk four-year-old children and early intervention strategies for families.

The curriculum's focus remains on recognizing the needs, interests and cultural diversity of the young children who are pre-screened before admittance to the program. Early childhood projects offer an environment for creative self-expression, social interaction and academic readiness through activities designed to promote the development of basic language skills as well as perceptual, fine and gross motor skills. Many participating schools feature expanded learning centers, which enhance and reinforce cognitive skills and socialization.

Preschool/Early Childhood Programs	
No. of Districts	65
No. of Public Schools	151
No. of Students	2596
TOTAL FUNDS	\$ 6,660,863



photo courtesy of Calcasieu Parish School Board

Statewide Programs

Statewide programs are administered by state agencies such as the Department of Education to provide goods, services or flow-through dollars to schools or school systems. The programs target specific participants and focus on common goals determined by the administering agency.

Students, teachers and administrators can all benefit from funded programs, which can be implemented to provide support services including the incorporation of up-to-date classroom methodology, curricu-

lum materials, technical support and professional development. Student-centered programs range from the purchasing of superior textbooks, library books, and/or reference materials to providing intense and focused instruction for students who score below “basic” on state-mandated proficiency exams. Teachers and principals may receive assistance with continuing education through internship programs, tuition exemption programs, scholarships and stipends. School systems benefit from mini-grants, which provide matching dollars as an incentive to establish permanently endowed, local trust funds for future educational needs.

Statewide	
Focus Area	No. of Projects Funded
Exemplary Programs	25
Research or Pilot Programs	4
Purchase of Superior Textbooks	2
Scholarships/Stipends	1
Teaching of Foreign Languages	1
TOTAL	33

Instructional Enhancement Through The Arts Program

This statewide program, administered by BESE, provides support for art-based projects that enhance basic knowledge and skills in the arts. Research has shown that appreciating and participating in the arts are fundamental to the healthy development of children’s minds and creativity. BESE funds projects that cover the four arts disciplines of dance, theater, visual arts and music as identified in the Louisiana Arts Content Standards. This support, which amounts to 35¢ per student, enables students across Louisiana to experience the arts through hands-on activities, field trips and classroom instruction.

Instructional Enhancement Through The Arts programs utilize a variety of methods to integrate the study of art into the traditional elementary and secondary classroom. Projects may incorporate cross curricula instruction through which teachers and artists can collaboratively provide in-depth instruction in the arts through an exploration of interwoven cultural themes. The purchase of instructional

computer software or other supplements may serve to connect the arts to various subject areas. Classroom teachers may recruit the help of local museums, art galleries or musical and dance companies to teach their students about the production of arts events and exhibits. School systems may also work in partnership with local arts agencies to plan district-wide student exhibitions, festivals or performances.

Instructional Enhancement Through The Arts	
No. of Projects	64
No. of Schools	386
TOTAL FUNDING	\$ 300,000



photo courtesy of Concordia Parish School Board



photo courtesy of Concordia Parish School Board

Board of Regents

Regents Support Fund Grants Total over \$45 million

This summer, Louisiana colleges and universities received over \$45 million through Regents to finance research and development projects, new research and teaching equipment and superior graduate fellowships. This money also helped create 34 new Endowed Chairs for Eminent Scholars and almost 300 Endowed Fellowships.

Funding for the Support Fund is generated through a permanent trust fund approved by voters in a 1986 constitutional amendment. The original \$540.7 million payment was part of a settlement between the state and federal governments over offshore oil and gas revenues. By 2001, the trust fund had risen to more than \$900 million. Twenty-five percent of the interest earned each year is retained in the fund until it reaches \$2 billion. The Legislature appropriates half of the remaining interest to Regents, the policy-making and coordinating agency for all public higher education in Louisiana, and the other half to BESE for grades K-12.

Regents uses its share to underwrite new endowed chairs and professorships and to award grants for research and development, superior graduate fellowships and to purchase scientific and teaching equipment. This year, the endowed chairs and professorship portion amounted to approximately \$28 million. The \$28 million state match is a combination of \$6 million interest earned through the Support Fund and a special \$22 million appropriation from surplus funds approved by the Legislature during the last session. That combined with \$42

million in private donations resulted in approximately \$70 million in new endowment funds for chairs and professorships this year. This represents the largest single year increase in the state program's 15-year history.

The other three categories—research and development projects, new research and teaching equipment and superior graduate fellowships—totaled approximately \$17 million.

Since the beginning of the program in 1986, Regents has awarded \$129 million in matching grants to create 196 endowed chairs, including 15 \$2 million chairs, and 1,105 endowed professorships. When matched with private contributions, the value of those chairs and professorships is approximately \$321 million.

To create the endowed chairs and professorships, colleges and universities must raise 60 percent of the cost from private, non-state sources. For example, to establish an endowed chair for eminent scholars, colleges and universities first must raise \$600,000 from private contributions, which then makes them eligible to receive Regents' \$400,000 match. Total value of the endowed chair is \$1 million. Regents also has funded chairs at the \$2 million level, including six this year. In this instance, \$1.2 million in private contributions is matched by \$800,000 from the Support Fund. In the Endowed Professorship program, \$60,000 must come from private sources to qualify for the Regents' \$40,000 match.

2000-2001 Regents Support Fund Research and Development Grants

INSTITUTION	NO. OF AWARDS	TOTAL
Centenary		
College of Louisiana	2	\$ 123,886
LSU - A&M College	8	\$ 754,346
LSU-Agricultural Center	5	\$ 642,472
LSU Health Sciences Center New Orleans	3	\$ 411,577
LSU Health Sciences Center Shreveport	1	\$ 150,900
LSU-Shreveport	1	\$ 72,000
Louisiana Tech University	6	\$ 762,991
Loyola University	3	\$ 184,278
McNeese State University	1	\$ 106,040
Nicholls State University	2	\$ 236,547
Southeastern La. University	2	\$ 175,404
Tulane University	7	\$ 888,445
Tulane University Health Sciences Center	2	\$ 257,258
University of La.-Monroe	1	\$ 68,344
University of La.-Lafayette	5	\$ 458,941
University of New Orleans	5	\$ 562,280
TOTALS	54	\$5,855,709

LSU - Shreveport	10	\$ 304,959
Louisiana Tech University	7	\$ 390,878
Loyola University	2	\$ 207,109
LUMCON	1	\$ 90,000
McNeese State University	2	\$ 112,550
Nicholls State University	8	\$ 269,484
Northwestern State University	4	\$ 169,985
Nunez Community College	2	\$ 43,150
South La. Community College	2	\$ 76,812
Southeastern La. University	1	\$ 75,673
Southern University A&M College	6	\$ 343,554
Southern University New Orleans	1	\$ 41,954
Tulane University	5	\$ 418,664
Tulane University Health Sciences Center	5	\$ 721,655
University of La.-Lafayette	8	\$ 508,832
University of La.-Monroe	4	\$ 260,126
University of New Orleans	3	\$ 202,600
Xavier University	3	\$ 137,772
TOTALS	131	\$8,037,837

2000-2001 Regents Support Fund Endowed Chairs and Endowed Professorships

2000-2001 Regents Support Fund Graduate Fellows Grants

INSTITUTION	NO. OF AWARDS	TOTAL
LSU - A&M College	11	\$1,398,000
Louisiana Tech University	2	\$ 110,000
Northwestern State University	2	\$ 48,000
Southeastern La. University	1	\$ 22,000
Tulane University	4	\$ 504,000
Tulane University Health Sciences Center	3	\$ 432,000
University of La. - Lafayette	7	\$ 427,000
University of New Orleans	4	\$ 243,000
TOTALS	34	\$3,184,000

2000-2001 Regents Support Fund Enhancement Grants

INSTITUTION	NO. OF AWARDS	TOTAL
Bossier Parish Community College	6	\$ 131,196
Centenary College	7	\$ 273,411
Delgado Community College	1	\$ 50,004
Dillard University	14	\$ 677,611
LSU - Ag. Center	4	\$ 320,597
LSU - Alexandria	1	\$ 42,100
LSU - A&M College	19	\$1,525,261
LSU - Eunice	1	\$ 41,556
LSU Health Sciences Center New Orleans	3	\$ 483,628
LSU Health Sciences Center Shreveport	1	\$ 116,716

INSTITUTION	CHAIR AWARDS	PROFESSORSHIP AWARDS
Centenary College	2	10
LSU-Alexandria		2
LSU - A&M College	5	155
LSU Health Sciences Center New Orleans	3	14
LSU Health Sciences Center Shreveport	2	
LSU-Shreveport		3
Paul M. Hebert LSU Law Center		4
Louisiana Tech University	1	16
Loyola University	2	3
McNeese State University		5
Nicholls State University	2	1
Northwestern State University		2
Nunez Community College		1
Our Lady of Holy Cross College		2
Our Lady of the Lake College		1
Pennington Biomedical Research Center	1	
Southeastern La. University		5
Southern University A&M College		10
Tulane University	3	6
Tulane University Health Sciences Center	5	13
University of La. - Lafayette	7	39
University of La. - Monroe	1	1
University of New Orleans		2
Xavier University		3
TOTALS	34*	298
	\$16,000,000	\$11,920,000
TOTAL ENDOWMENTS	\$27,920,000	

*Six of these are \$2 million chairs

Louisiana Education Quality Support Fund Projects

1. The new Studio Center motion-capture facility at the University of New Orleans was selected from a nationwide field of 16 to produce 3-D simulations for an Army game project involving virtual reality and artificial intelligence. The top secret project, reportedly costing millions of dollars, is being produced in part at the UNO facility where eight infrared cameras record the movements of Army observer-controllers acting out maneuvers and firing poses. Their digital images, which are transferred to a computer in real time as sticklike figures, will be sent to California where animators will dress them with computer-generated images of soldiers for a 3-D virtual battlefield.

An infantryman clad in a unitard and a skullcap adorned with pingpong-like gray spheres poses in a firing position. Eight infrared cameras record his movements, which appear in real time as a sticklike image on a computer monitor.

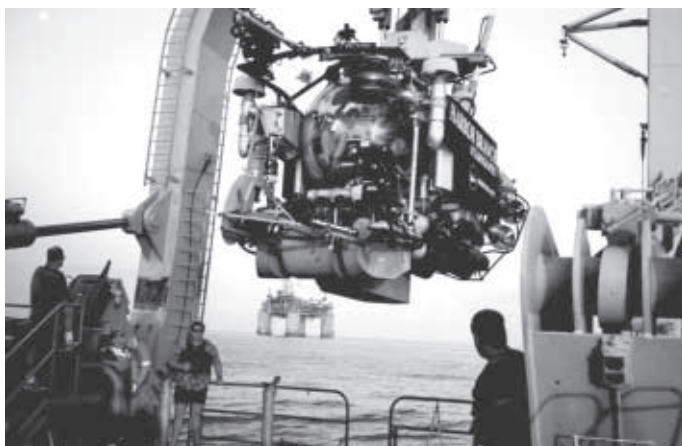


The nearly 4,000-square-foot facility, which opened in March 2001, was financed in part by a \$210,000 Regents Support Fund enhancement grant. Besides the State's growing film and video industry, UNO officials anticipate using the studio and its technology as tools for the science, engineering and medical fields and some industries.

2. The Office of Naval Research awarded a Louisiana Tech research team over \$313,000 to develop mathematical models to minimize the total ownership costs for Navy ships. Because approximately 70 percent of the life-cycle cost of a ship is determined in the preliminary design process, it is important to be able to predict costs, performance

and features early. This research is being co-funded by the Support Fund.

3. Some of the first and only data on surface and near sea floor gas hydrates - potentially the world's next and largest energy resource - have been generated by a team of LSU and A&M College researchers funded by the Regents Support Fund. A number of potentially productive liaisons with industry, government and the academic sector have been developed and over \$1.2 million in private and federal grants has been awarded. Some results are already being used by industry and the project has led to a new federal gas hydrate research funding bill for a program that will run until 2015. Louisiana researchers are in a good position to receive long-term federal funding to study the gas hydrate deposits of the Gulf of Mexico and to become leaders of that large research effort. The lead scientist has been appointed to the Department of Energy's Methane Hydrates Advisory Committee.



The Johnson Sea-Link manned submersible used in the gas hydrates research project led by Dr. Harry Roberts, Director, LSU Coastal Studies Institute.

4. A Southern University and A&M College research project, working on the development of a standardized test and damage evaluation of low-velocity impact on laminated composites, was awarded almost \$1.3 million from the Department of Defense, NASA and the National Science Foundation. This is an important area of research because barely visible impact damage can result in up to a 60 percent loss in an aircraft structure's compressive strength. The research associate and nine students who worked on the project received the additional benefits of job skills and specialty training. This mechanical engineering initiative

was funded with a Regents Support Fund research and development grant.



Dr. Samuel I. Ibekewe, a Southern University and A&M College professor of mechanical engineering and the project's principal investigator, in his laboratory.

5. The productivity of a new assembly line at a north Louisiana company was increased at a compounded annual rate in excess of 9 percent as a result of a Northwestern State University research initiative in which physics and math students are applying abstract concepts to solve real world industrial and manufacturing problems. The increase exceeded by far the original 0.5 percent goal. Following more than 450 hours of observation, the students built a detailed simulation model of the assembly line to monitor changes and regularities in task times.

The students completed the assembly line model, which included over 100 sections, in less than one week. The three-year Regents Support Fund research and development award funding the initiative ends June 2, 2002.



Physics and mathematics students at Northwestern State University are working with a north Louisiana manufacturer to improve the efficiency of the plant's operation.

6. A Regents Support Fund grant supported part of the research that won a Tulane University chemistry professor a prestigious 2001 Presidential Green Chemistry Challenge Award from the U.S. Environmental Protection Agency. Dr. Chao-Jun Li, the only individual recipient of the award, was recognized for developing a more environmentally friendly process by which petrochemical, pharmaceutical, plastics and other manufacturers can create their products. Several manufacturers have expressed interest in his process.



Tulane University Chemistry Professor Dr. Chao-Jun Li (center) is shown receiving his prestigious 2001 Presidential Green Chemistry Award.

7. A professor with joint appointments to the faculties of Louisiana Tech and Grambling State University was awarded two grants totaling over \$3.2 million within one month in the summer of 2001 - one from the Department of Defense, the second from the U.S. Army. The professor, who teaches three physics courses at the universities, is a member of the Joint Faculty Appointments Program (JFAP), a nationally acclaimed initiative aimed at building partnerships between historically black and majority white colleges and universities through joint faculty hires in the science and engineering areas. JFAP was developed by Regents under its National Science Foundation Experimental Program to Stimulate Competitive Research (EPSCOR).

8. A Nicholls State University research project has demonstrated that using bagasse (residue from milling sugar cane) as an additive to cement could be an economically feasible and safe way to dispose of hazardous waste. Approximately 40 percent of all wastes disposed of in U.S. landfills are pre-treated by some form of solidification or stabilization pre-treatment. Because this process is widely used for hazardous wastes, it is critical that it constrain the

waste to prevent leaching. Immobilization by cement alone is not always effective, so new and cheaper stabilizing agents are always sought. The Nicholls team has shown that the inclusion of bagasse as an absorbent reduces the leachability of lead, easily passing the required EPA test, often by a considerable margin. The research, funded by a Support Fund grant, resulted in the university's first patent and the strong possibility of additional external funding.



Dr. Michael A. Janusa, associate professor of chemistry at Nicholls State University, is shown collecting a sample of bagasse from a pile of the residue from milling sugar cane at Raceland Sugars Inc.

9. Within one year of the purchase of a micro-CT research instrument, reportedly the first of its type installed at a university in the United States, UNO mechanical engineering researchers implemented a major new research program and were awarded a four-year, \$1 million grant from NASA. The research instrument was funded with a Regents Support Fund enhancement grant.

10. An LSU Health Sciences Center-Shreveport research project investigating the development of inflammatory arthritis provided the basis for a five-year, \$1.5 million grant from the National Institutes of Health. Applications of the research will lead to a better understanding of the mechanism and better

treatments for inflammatory arthritis, such as rheumatoid arthritis. A Regents Support Fund enhancement grant funded the research initiative.

11. LSU and A&M College researchers, exploring DNA-based vaccines, developed the ability to generate antibodies to specific antigens via genetic immunization methods. The laboratory was awarded a four-year, \$1 million grant from the National Institutes of Health, and a patent application has been filed. The project was funded by a Regents Support Fund grant.

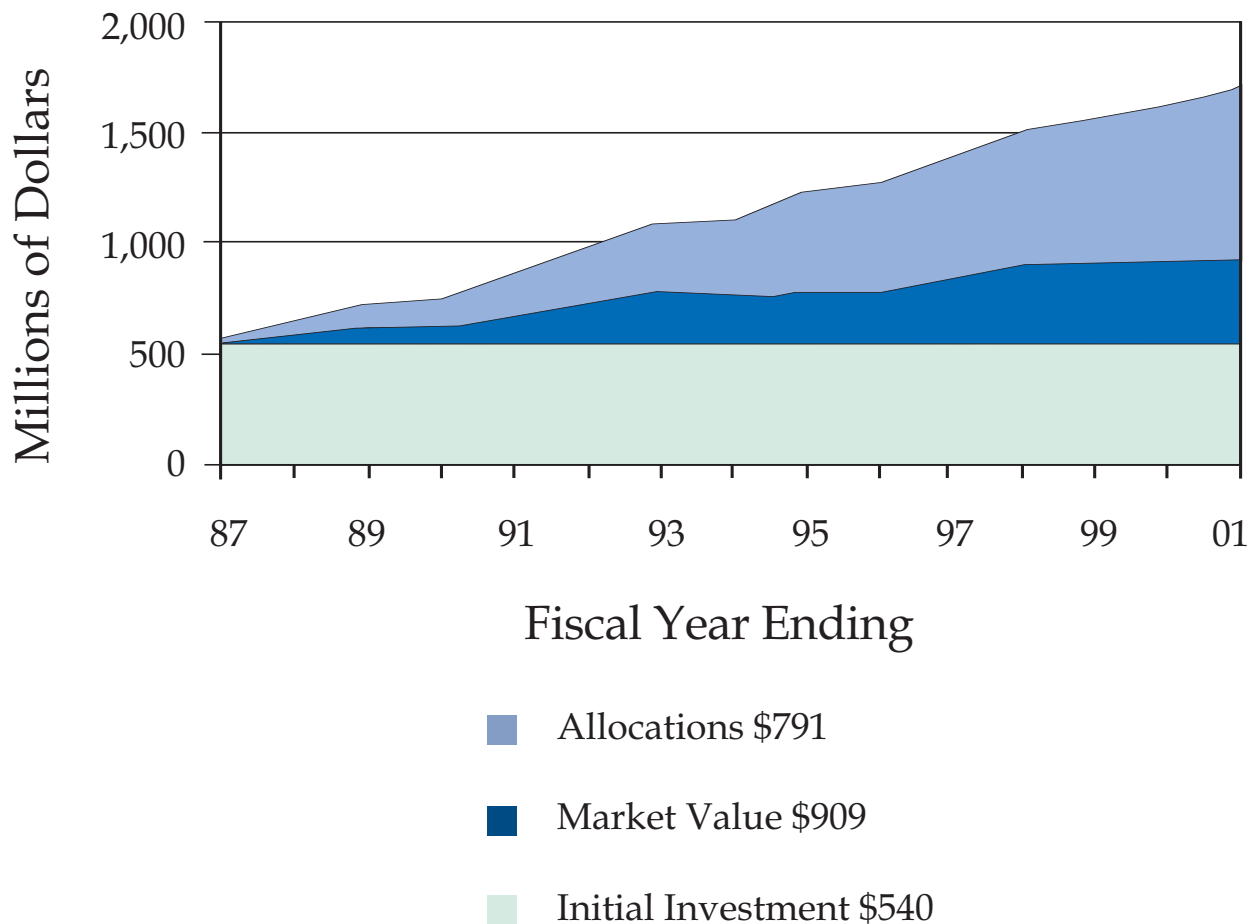
12. A patent has been filed for a method to read and write from magnetic strip media cards via a microcontroller developed by a research team of electrical engineers and chemists at the University of Louisiana at Lafayette. The development of a stand-alone reader and writer will help ease communication line bottlenecks during applications of magnetic recording and reading technology such as debit cards. The research initiative was funded by a Regents Support Fund grant.

13. With new equipment purchased with Regents enhancement grant funds, the LSU and A&M College Chemistry Department is better positioned to work with local chemical and polymer producers on the development of new materials formulations. Industrial sponsors of the research team include a number of Louisiana-based companies.



Donald L. Kimpel, M.D., (left) with the LSU Health Sciences Center in Shreveport, reviews the plan for his research project investigating the development of inflammatory arthritis with research associates La'Tonyia Franklin (center) and Will Langston.

Market Value and Cumulative Allocations at June 30, 2001



This public document was published at a total cost of \$3,750.00. 1,000 copies of this document were published. This document was published by the Louisiana Department of the Treasury, P.O. Box 44154, Baton Rouge, LA 70804, printed by Moran Printing, Inc., 5425 Florida Blvd., Baton Rouge, LA 70806.